



Public Sector Decarbonisation Scheme Guidance: Grant Recipient Contribution (PSDS Phases 3 and 4)

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Introduction

As Phase 3 and 4 PSDS Grant Recipients (GRs), you are required to contribute a “minimum contribution” towards your project using your own funding, to demonstrate your commitment towards a low-carbon heating system. This is also referred to as your minimum client contribution.

What is the Minimum Client Contribution (MRC)?

The MRC costs are all the costs that would be incurred if your existing heating system was replaced with a typical fossil fuel heating system of the same type and size. In most cases this will be equivalent to the costs of replacing the system with a conventional boiler. You will have provided information on what these costs would be at the *application stage*.

For Phase 3a projects: The minimum contribution may also be called the like for like costs, equivalent to the full costs of replacing your existing heating system like for like.

For Phase 3b, 3c and Phase 4: the MRC costs must be a minimum of 12% of your total project costs, or the total like for like (L4L) boiler replacement costs evidenced in Step 3.3 of the Application Form (Phase 3b) or Step 3 of the Project Form (Phase 3c and 4). Whichever is greater.

Example 1: if the L4L costs total *less than* 12% of the total project costs, you are expected to contribute and evidence 12% of the total project costs.

Example 2: if the L4L replacement costs total 15% of total project costs, then you must contribute and evidence the 15%, which will be the MRC.

This is because if the cost of replacing the existing heating system on a like for like basis is over 12%, this should be contributed by you in full.

You must provide invoices and, where necessary, additional supporting information to evidence your minimum recipient contribution as you would for a typical payment request, as part of your project completion documentation.

What is our Recipient Contribution and what is the difference?

The MRC costs indicate the minimum amount you must contribute to the project. The Recipient contribution is anything additional you are spending on the project above the grant value and the MRC costs. The recipient contribution is not required to be evidenced with invoices to the same level of detail as the minimum contribution.

e.g. You submitted an application for £100,000 and the minimum contribution you must make according to the MRC costs is £12,000. However, on completion the total project costs were actually £150,000. The remaining £38,000 is your recipient contribution.

In this example, you would need to evidence £12,000 with invoices as part of the project completion documents.



How do we find our exact minimum contribution amount?

The minimum recipient contribution you are required to evidence can be found in your application form. The location may be different depending which phase of the Public Sector Decarbonisation Scheme you are receiving funding from.

- **Phase 3a projects:** Step 3.2 of your application form under 'existing heating system'
- **Phase 3b and 3c projects:** Step 4 of your application form, by subtracting the '12% compliant marginal project value' from the 'total project cost'
- **Phase 4 projects:** Step 4.1 of your application form under 'carbon saving measures'

How do we evidence our minimum contribution?

Prior to receiving final payment, you must provide a final statement of expenditure with all three steps completed.

- **Step 1: Final grant claim**
This should be completed as usual for your final grant funding claim.
- **Step 2: Minimum recipient contribution costs**
You must provide invoice evidence to demonstrate you have contributed the minimum amount required to your project. Invoices should be listed in step 2 of your final statement of expenditure, in the same way as your grant payment requests.
- **Step 3: Remaining recipient contribution**
This is anything additional that you are spending on the project above the grant value and minimum contribution.

Example:

Total project costs	£1,000,000
Eligible grant value (within £510/tCO ₂ compliancy criteria)	£700,000
Like for like costs	£100,000 (10%)
Minimum recipient contribution	£120,000 (12%)
Remaining recipient contribution	£180,000

What documentation do we need to provide?

To avoid delays to your final payment, please make sure that:

- The minimum recipient contribution shown in the project summary section of your statement of expenditure matches the amount in your final application form/project form
- The invoices you provide are equal to or greater than your required minimum contribution
- All fields in step two of your statement of expenditure are completed
- Your invoices and supporting documents contain enough detail for us to verify the cost
- The invoices used to evidence your minimum contribution have not already been used to claim grant funding from us

- All additional project expenditure should be detailed in step three of the statement of expenditure, but invoice evidence does not need to be provided

If we need any further or alternative evidence, we will contact you before your final payment is made.

What if our total project costs reduce?

If your total project costs are lower than expected at completion, your agreed minimum recipient contribution cannot be reduced. This may mean the amount of grant funding you can receive at final payment is reduced.

Example: If you were awarded £250,000 and your minimum recipient contribution was £50,000, but your final project spend is £285,000 with the same project scope, you would still need to contribute £50,000. Your eligible grant funding would therefore reduce to £235,000, which is £15,000 less than the original grant award.

What if our project scope changes?

If a change to your project scope affects the low carbon heating solution, we may need to reassess your minimum contribution. We will confirm the revised contribution with you, and this will be reflected in your updated project form.

- If a low carbon heating measure is removed, the associated like-for-like costs should be removed
- If a low carbon heating measure is added, the associated like for like costs should be added

What if our project is delayed past the grant end date?

If your project is following the delayed completion process, approved through a Grant Amendment Letter, you may not have enough invoices to evidence your minimum contribution prior to final payment. In this scenario, we may be able to make final payment without this evidence. Spend after the grant end date can count towards your minimum contribution evidence.

There is no stipulation on the order in which you spend grant funding or your internal match funding, therefore you may wish to reduce the risk of not being able to use your full grant allocation before the grant end date by drawing this down before using your recipient contribution.

You must provide invoice evidence for your minimum contribution along with a completed final statement of expenditure when your project reaches practical completion. If you are unable to provide evidence of your minimum contribution in full at project completion, we may need to recover some grant funding.